



Public Policies

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Insurance department efforts recover \$1.4 million for homeowners after April hail storm

Staff obtains relief in two-thirds of complaint cases so far; average settlements increase \$4,177

The Department of Insurance (MDI) has recovered an additional \$1.4 million for Missourians whose homes were damaged by a massive hail storm April 10 – the largest recovery from a single storm in agency history.

The recovery effort combined intense staff work on consumer complaints with a clear standard for repairs that provides greater protection for all Missouri homeowners. To date, MDI has helped gain financial relief for mainly north St. Louis County homeowners in 67 percent of the 484 complaints closed.

The rate of relief is double the norm for homeowners complaints. Settlements are averaging \$4,177 more than the insurers' original offers.

The first wave of consumer complaints occurred in June when some insurers refused to re-side entire homes when hail seriously damaged part of the house – even though the proposed replacement siding did not match in color, texture and other qualities. The department had not intervened in similar instances of mismatching before.

But department Director Scott B. Lakin notified the insurers that MDI expected full, matching replacement to preserve the value of not only individual homes, but whole neighborhoods. "As a middle-class homeowner myself, I know that large areas of mismatched siding would have done serious damage to long-term property values for everyone," said Lakin, whom Gov. Bob Holden appointed in March.

"Our position was necessary to maintain the confidence of homeowners in their coverage and their company. Homeowners genuinely believed they had been paying for this kind of protection. Many companies acted in good faith and did provide full replacement. A few did not."

(See \$1.4 million, p. 2)

MDI offers assistance to thousands of policyholders

Although the summer storm season has ended, the Missouri Department of Insurance's consumer services staff provides year-round assistance for policyholders at odds with insurers, including auto, HMO, homeowner, life and health carriers.

In 2000, MDI resolved 4,244 complaints that brought \$7.4 million in financial relief to policyholders, through increased settlements, reversed claim denials or replacement policies. Most complaints and recoveries involve claims. Another 60,000 Missourians asked for information or publications, and 407 complaints concerned agents, brokers or other licensed professionals.

The highest rate of recovery for consumers comes in HMO coverage, where almost 60 percent of complaining enrollees get some form of relief. About one-third of auto, home, life, regular health and other policyholders obtain relief.

No state has easier ways for residents to contact their insurance department for assistance:

- Call 1-800-726-7390, toll free, to make inquiries, order brochures or obtain a complaint form.
- Write P.O. Box 690, Jefferson City, MO 65102-0690.
- Or visit www.insurance.state.mo.us to view and print electronic brochures and rate comparison guides, check statistical reports, verify an agent's status, make a complaint online or take advantage of dozens of other services.

MDI operates consumer services offices in Kansas City, St. Louis and Jefferson City.

\$1.4 million

(continued from page 1)

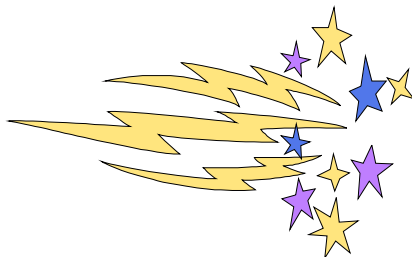
Many homeowners learned of MDI's services through intensive broadcast and newspaper coverage of complaints and several town-hall meetings, sponsored by the Florissant mayor and attended by Lakin and MDI staff. MDI can help resolve these disputes with an insurer without the cost and delays of court action.

Through mid-October, MDI received 1,401 inquiries that developed into 556 formal complaints. Of the formal complaints, 72 remain unresolved, but they arrived only recently.

"We are proud of the \$1.4 million in documented recoveries for homeowners from these efforts," Lakin said. "Because many companies immediately began following the new rules in June, disagreements were avoided altogether. We will never know the full dollar value of that service to homeowners."

A property and casualty insurance trade group announced in June that the hailstorm was the most costly insured disaster in state history with a projected \$700 million in losses. The value of the insured damage, however, has continued to rise since then.

"As director, my goal is to make our consumer services for Missouri citizens second to none," said Lakin. "Andrea Routh, my consumer affairs division director, and her staff have passed this first test with flying colors. We especially are pleased by the feedback from individual consumers and local officials, who have been gratified by this high quality of service."



Routh named director of the Division of Consumer Affairs

Director Scott B. Lakin has promoted Andrea Routh to division director for consumer affairs.

Routh has served as the manager of the consumer services section since May and will continue in that role. The change allows MDI Deputy Director A.W. McPherson, who



Andrea Routh,
consumer services director

has doubled as division director, to focus on his main role.

Routh, an attorney, worked as a legislative staff member, executive director for Joint Committee for Health Care Policy and Planning, policy director for the late Gov. Mel Carnahan and director of the Division of Aging before joining MDI.

"In the next few months Andrea will be called upon to continue to build the Division of Consumer Affairs and advise me on ways to improve services to Missouri consumers," Lakin said. ❖

Show-Me Insurance

You can sign-up to receive the latest edition of **Show-Me Insurance**, Director Scott Lakin's column, at www.insurance.state.mo.us.

While there, you can also subscribe to the MDI List, which provides automatic updates on MDI news and web site changes.

MDI halts renewals of Reliance coverage to protect business policyholders

Lakin urges Missouri businesses to use two new state Internet, counseling services to help identify cost-effective alternatives

Missouri Department of Insurance Director Scott B. Lakin has prohibited Reliance Insurance Cos. from selling new or renewing current policies in the state to help protect business owners from the insurer's financial condition.

The Pennsylvania Department of Insurance, which has final control over Reliance finances, took over management of the firm in May. The Pennsylvania regulators announced this month that, based on a court order, the company's financial difficulties were so serious that the state would close its operations, liquidate its assets and pay off creditors.

Reliance ranked as the No. 23 property and casualty insurer in Missouri, with \$54 million in 1999 premium sales and most of its policies concentrated in coverage like workers compensation and business liability. (More recent figures on its Missouri policyholders are not available because Pennsylvania state regulators allowed Reliance officials to forgo their reports to other states for 2000.)

Lakin said in 1999 Reliance's group stood No. 6 among all Missouri insurers for workers compensation coverage – largely using two subsidiaries, Reliance National, which had \$10.6 million in premium for 1999; and United Pacific, which wrote \$5.6 million in premium.

"I want to be very clear: for current policyholders and workers whose injuries already are subject to benefits owed by Reliance and its subsidiaries, they could face a lengthy recovery process in finally settling the claim," Lakin said.

"However, the Missouri state fund that steps in when insurers fail also has an obligation to pay a substantial portion of any claims – 100 percent of any workers comp claims – and we will work to make sure that injured parties receive benefits as quickly as possible."

The Missouri Property and Casualty Guaranty Association, a state-authorized entity funded by the industry, by law will cover the cost of workers

compensation claims, other claims up to \$300,000 and refunds of unearned premium up to \$10,000 in the Reliance liquidation.

Lakin said all Missouri policyholders with Reliance Insurance Cos. coverage should begin shopping around for other coverage because the onset of liquidation in Pennsylvania means cancellation of policies here will begin shortly.

Lakin said the failure of Reliance occurred at a particularly inopportune time because, unlike a year or more ago, business insurance rates have been rising, and insurers have been less willing to negotiate discounts, even with larger, longtime customers.

He urged Missouri business owners needing workers compensation coverage to use two new MDI services: an Internet cost-comparison guide available through the MDI Web site at www.insurance.state.mo.us, which provides information on the lowest available rates by employee class code; and 1-800-394-0964, a one-on-one counseling service on how to identify billing problems and obtain alternative coverage.

Besides the unexpectedly poor Reliance financial condition found by Pennsylvania regulators, chances for recovery dimmed when the Sept. 11 terrorist attack reduced the likelihood of rapid re-insurance recoveries for the firm on other losses.

Pennsylvania officials said Reliance could begin defaulting on benefits before the end of 2001. Those businesses and persons with policyholder and claim questions can call 212-858-3600 or e-mail Rehabilitator@relianceinsurance.com.

"This is an unfortunate situation. But a process is in place, we are working closely with the Pennsylvania regulators and our department is determined to help Missouri business owners find new coverage while getting any claims with Reliance paid," Lakin said.



MDI Regulatory Actions

August & September 2001

Legal Action - Agents, Agencies and Brokers

The following forfeited \$100 each for failure to respond to consumer complaints or late/incomplete response:

Dennis E. Drew, Kansas City, MO.

American National Life Insurance of Texas, Galveston, TX.

The Continental Insurance Co., Chicago, IL.

Cornerstone National Insurance Co., Columbia, MO.

Halcyon Insurance Co., Cleveland, OH.

The Hartford, Atlanta, GA.

The Hartford Insurance Group, Hartford, CT.

The Hartford Underwriters Insurance Co., Hartford, CT - two violations.

North American Specialty Insurance Co., Manchester, NH.

Progressive Casualty Insurance Co., Creve Couer, MO.

Provident Life and Accident Insurance Co., Portland, ME.

Redland Insurance Co., Whitsett, NC.

TICO Insurance Co., Dallas, TX.

United Healthcare of the Midwest, Inc., Maryland Heights, MO.

US Healthcare, Inc., d/b/a Aetna US Healthcare, Hartford, CT.

USAA Casualty Insurance Co., San Antonio, TX.

Western Heritage Insurance Co., Scottsdale, AZ.

Mendy J. Blume, Maplewood, MO, \$500 forfeiture for demonstrating lack of trustworthiness and competence and failing to hold a valid license while performing the duties of a closer.

Natalie Hamilton, Hazelwood, MO, license revoked for felony crime and a crime involving

moral turpitude; obtained or attempted to obtain an insurance license by fraud or misrepresentation or made a material misstatement in an application for an insurance license; and demonstrated lack of trustworthiness or competence.

Darlene K. Hoepfinger, Caseyville, IL, \$500 forfeiture for failing to become properly licensed.

Harvey Moore, Liberty, MO, license revoked for incompetency, misconduct, fraud, misrepresentation and dishonesty.

Staci M. Thornsberry, Crocker, MO, \$275 forfeiture for failing to hold a valid agent's license and failing to provide full and truthful information to the department.

Thomas J. Williams, Farmington, MO, license denied for failure to respond and criminal record/history.

William R. Yancey, Jr., Lenexa, KS, license renewal refused for submitting application for annuity with forged signature

Abbey Title Co., Joplin, MO, \$600 forfeiture for failure to record security instrument within three days of receipt of certified fund and late or incomplete response.

American Agency Systems, Inc., Oklahoma, certificate of authority suspended.

Associated Physicians Insurance Co., Chicago, IL, certificate of authority suspended.

Columbian National Title Insurance Co., Topeka, KS, \$1,100 forfeiture for claims handling and failing to establish and maintain reserves.

Cornerstone National Insurance Co., Columbia, MO, \$2,200 forfeiture for failure to timely file.

IGF Insurance Co., Indianapolis, IN, certificate of authority was suspended.

Legend Land Services, Inc., Lake Ozark, MO, \$275 forfeiture for allowing business from unlicensed agent and failure to provide full, truthful information to the department.

Regulatory Actions

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Old Mule Title Inc. d/b/a Columbian Title Co., St. Louis, MO, \$2,600 forfeiture for failing to provide full information when requested, to perform a date down of the records within 24 hours of the closing and to record a security instrument within three days of closing or after receipt of funds. It also acted as an insurance agency through persons not licensed as insurance agents.

Progressive Home Insurance Co., Mayfield, OH, \$6,100 forfeiture for failure to file timely.

Financial Exams

Billings Mutual Insurance Co., Billings, MO.

Cedar Fork Mutual Insurance Co., Gerald, MO.

Dent County Mutual Insurance Co., Salem, MO.

Farmers Commonwealth of Missouri, Inc., Lee's Summit, MO.

Farmers Mutual Fire Insurance Co. of Conception, Stanberry, MO.

Farmers Mutual Insurance Co. of Clinton County, Plattsburg, MO.

Farmers Mutual Insurance Co. of Randolph County, Moberly, MO.

Farmers Mutual Insurance Co. of Warren County, Warren, MO.

First Commonwealth of Missouri, Inc., Chicago, IL.

Imperial General Insurance Co., Lone Tree, CO.

Jasper County Mutual Insurance Co., Carthage, MO.

Old American Insurance Co., Kansas City, MO.

Patrons Mutual Insurance Co. of Lafayette County, Lee's Summit, MO.

Tipton Mutual Insurance Co., Tipton, MO.

United Healthcare of the Midwest, Maryland Heights, MO.

Company Changes

21st Century Insurance Co., Woodland Hills, CA, was admitted with property, liability and miscellaneous authority.

21st Century Casualty Co., Woodland Hills, CA, was admitted with property, liability and miscellaneous authority.

American Agency Systems, Inc., Oklahoma, OK, certificate of authority suspended.

Advantech Dental Administration, Inc., Stevens Point, WI, was admitted as a third party administrator (TPA).

Alea North America Reinsurance Co., Norwalk, CT, was admitted as an accredited reinsurer.

American Physicians Assurance Corp., East Lansing, MI, was admitted with property and liability authority.

Antares Management Solutions LLC, Westlake, OH, changed its name to *Medical Mutual Services LLC*.

Benefit Planners Limited L.L.P., Boerne, TX, was admitted as a third party administrator (TPA).

Cannon Cochran Management Services Inc. d/b/ a MSI, Danville, IL, withdrew as a TPA.

CCMSI Insurance Services, Inc., Danville, IL, was admitted as a TPA.

CMG Mortgage Assurance Co., Madison, WI, was admitted with miscellaneous authority.

Constitution Insurance Co., New York, NY, was admitted with property, liability, fidelity, surety, accident, health and miscellaneous authority.

Continental Casualty Co., Kansas City, MO, acquired *American Continental Life Insurance Co.*

Crockett Adjustment d/b/a Rebsamen Insurance Inc., was admitted as a TPA.

Delta Casualty Co., Chicago, IL, was removed from the approved eligible list of surplus line carriers.

Farm Bureau Life Insurance Co. of Missouri, Jefferson City, MO, added variable contracts authority.

Farmers Mutual Fire and Lightning Insurance Co., Mound City, MO, converted from a farm mutual to an extended Missouri Mutual with fire, windstorm and liability authority.

First Professionals Insurance Co., Jacksonville, FL, deleted accident and health authority.

Foundation Health Systems Life & Health Insurance Co., Woodland Hills, CA, redomesticated from Colorado to California.

Frontier National Life Insurance Co., Woodland Hills, CA, merged with *Conseco Health Insurance Co.*

Health Management Partners, LLC, Clayton, MO, withdrew its certificate of authority as a TPA.

HealthMarket Administrative Services Inc., Wilmington, DE, was admitted as a TPA.

Health Partners of the Midwest, St. Louis, MO, changed its name to *Medical Center Health Plan, Inc.*

Humana Health Plan, Inc., Louisville, KY, merged with *Humana Health Plan Inc.*

Laclede Gas Family Services, Inc., St. Louis, MO, was admitted as a TPA.

(See Regulatory Actions, p. 6)

Regulatory Actions

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Lincoln County Farmers Mutual Fire and Lightning Insurance Co., Troy, MO, changed its name to **Lincoln County Farmers Mutual Insurance**.

Maryland Casualty Co., Schaumburg, IL, added accident and health authority.

Meridian Mutual Insurance Co., Columbus, OH, Columbus, OH, merged with **State Automobile Mutual Insurance Co.**

MGIC Credit Assurance Corp., Milwaukee, WI, was admitted with miscellaneous authority.

Midwest Family Mutual Insurance Co., Minnetonka, MN, was admitted with property, liability and miscellaneous authority.

Missouri Advantage, LLC, Mexico, MO, dissolved.

Newsam Harp Inc., Kansas City, MO, withdrew as a TPA.

P5 e. Health Services, Inc., Salt Lake City, UT, was admitted as a TPA.

PrimeGuard Insurance Co., Inc., Honolulu, HI, was registered as a risk retention group.

Princeton Excess and Surplus Lines Insurance Co., Princeton, NJ, was admitted as a surplus lines company.

Professionals Risk Purchasing Group Inc., West Hartford, CT, was registered as a purchasing group.

Reliance Direct Insurance Co., Philadelphia, PA, merged with **Reliance Insurance Co.**

Reliance Universal Insurance Co., Philadelphia, PA, merged with **Reliance Insurance Co.**

Rewards Plus of America Insurance Agency Inc., Hunt Valley, MD, was admitted as a TPA.

Service Insurance Co., Bradenton, FL, was admitted with property, liability, fidelity and surety authority.

St. Charles Insurance Co., Montpelier, VT, was registered as a risk retention group.

State National Specialty Insurance Co., Jacksonville, FL, was admitted with property, liability and miscellaneous authority.

United Educators Insurance Risk Retention Group, Burlington, VT, changed its name to **United Educators Insurance**, A Reciprocal Risk Retention Group, Burlington, VT.

Unified Life Insurance Co., Overland Park, KS, changed its name to **Americom Life & Annuity Insurance Co.**

United National Specialty Insurance Co., Bala Cynwyd, PA, was admitted with property, liability, fidelity, surety, accident, health and miscellaneous authority.

Wabash Life Insurance, Chicago, IL, merged with **Washington National Insurance Co.**

(See Regulatory Actions, p. 8)

Greg Longan - MDI Employee of the Quarter

Hidden in the dark corners of the M D I Information Systems Section you'll find the MDI Employee of the Quarter, Greg Longan, a computer technician III for the department.



Greg Longan,
MDI Employee of the Quarter

Longan develops computer applications and enhancements on the mainframe PC platforms. Longan has been with the department for one year and has been in the computer field for 22 years.

Longan finds becoming proficient in a new programming language the most challenging part of his position.

Longan is also a beef cattle farmer, volunteer firefighter and a world traveler. He hopes to visit Asia, his fifth continent, next spring.



Personnel

New Hires

Win Nickens, counsel, Division of Market Regulation

Tammy Homfeldt, administrative assistant, Administration

Noland Stuecken, accountant I, Division of Taxation

Barbara Bartlett, financial examiner, Division of Financial Regulation

Carlin Blair, computer information tech. trainee, Information Systems

Resignations

Jeff Legg, planner II, Division of Market Regulation

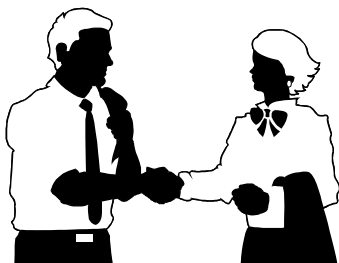
Andy Chiodini, examiner-in-charge, Division of Financial Regulation

Promotions/Transfers

John Korte, transferred to Life and Health Section as Insurance Product Analyst

Andrea Routh, promoted to director of the Division of Consumer Affairs

Mike Shadowens, promoted to examiner-in-charge, Division of Financial Regulation



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Gov. Bob Holden

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Public Policies serves as a key communications link between MDI and Missouri's legislators, weekly and broadcast media, industry observers and trade associations.

If you have comments or questions, please send them to Melissa Becker, associate editor, P.O. Box 690, Jefferson City, MO 65102-0690 or call 573-526-2946.

Regulatory Actions

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Market Conduct

Fairmont Insurance Co., Texas

Market Conduct Examination #0120-06-PAC

End Date - July 26, 2001

The insurer was ordered to:

- have procedures to ensure workers compensation claims for temporary total disability benefits are paid within 14 days of the claim.

Farmers Insurance Group, Los Angeles, CA

Market Conduct Examination #0035-09-PAC

End Date - March 2, 2001

The report found that, in violation of Missouri law or regulations, the insurer:

- failed to maintain a copy of the current license for an agency and date stamp agency licenses.
- failed to provide a copy of the declaration page for its workers compensation policies.
- used incorrect territory codes for its "Landlord Protector" policies.
- erred in its underwriting and rating practices for private passenger auto, nonrenewals, cancellations and declinations.

- erred in its underwriting and rating practices for motorcycles and terminations.

- erred in its underwriting and rating practices for homeowners nonrenewals and dwelling fire terminations.

- erred in private passenger auto claims for collision coverage and total loss coverage.

- erred in commercial auto claims for total loss/collision and subrogation coverage.

- erred in handling workers comp claims, failed to record complaints on its register and failed to provide a written denial of a claim.

The company paid \$7,975 to the state school fund for violations.

UNUM Life Insurance Co., Portland, ME

Market Conduct Examination #0011-04-REX

End Date - April 13, 2001

The report found that, in violation of Missouri law or regulations, the insurer failed:

- to submit a supplemental form used to obtain additional underwriting information.
- to submit corrected policy forms.
- to submit its corrected accident and health applications.
- to submit its corrected life, accident and health policy forms relating to suicide exclusionary language and pregnancy complications. ❖

Missouri Department of Insurance

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